Public Employees Benefits Agency Revolving Fund

Annual Report for 2015-2016

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour of submitting the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993.*

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs as per Order in Council 581/2015 dated December 17, 2015:

Pension Funds

Anti-Tuberculosis League Employees Superannuation Plan
Capital Pension Plan
Judges of the Provincial Court Superannuation Plan
Liquor Board Superannuation Plan
Members of the Legislative Assembly Benefits
Municipal Employees' Pension Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Transportation Company Employees Superannuation Plan
The Power Corporation Superannuation Plan

Employee Benefit Funds

Additional Pension Contribution Program
Crown Investments Corporation of Saskatchewan Benefits Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 and Local No. 600-5 Benefit Plans' Surplus Fund
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan Scheduled Aircraft Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Public Employees Deferred Salary Leave Plan
Public Employees Dental Plan
Public Employees Disability Income Plan
Public Employees Group Life Insurance Plan
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Designated Employee Benefit Plan
SaskPower Millennium Plan
SaskPower Severance Pay Credits Plan
SaskPower Supplementary Superannuation Plan
SaskTel Retirement Gratuity Plan
Water Security Agency of Saskatchewan Retirement Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Ministry of Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been increased to $11,200,000 on January 14, 2016, by Order in Council 4/2016 from the previous limit of $5,800,000 set by Order in Council 116/2009.

Administration Costs

2016	$16,837,343
2015	$15,869,731
2014	$15,218,466
2013	$14,944,741

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2016, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
July 13, 2016

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2016, and the results of its operations, changes in its net debt, and its changes in accumulated net expenditure for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 13, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Public Employees Benefits Agency Revolving Fund **Statement 1**
Statement of Financial Position

As At March 31

	2016	2015
Financial Assets		
Cash	$ -	$ 400
Accounts Receivable	2,089,312	2,319,856
Total Financial Assets	2,089,312	2,320,256
Liabilities		
Accounts Payable and Accrued Liabilities	1,791,392	1,983,198
Accumulated Net Expenditure (Statement 4; Note 2b, Note 3)	2,746,160	3,388,916
Total Liabilities	4,537,552	5,372,114
Net Debt (Statement 3)	2,448,240	3,051,858
Non-financial Assets		
Prepaid Expenses	497,097	550,069
Tangible Capital Assets (Note 4)	1,951,143	2,501,789
Total Non-financial Assets	2,448,240	3,051,858
Accumulated Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 2**
Statement of Operations

For The Year Ended March 31

	2016		2015
	Budget (Note 7)	Actual	Actual
Revenue			
Administration Fees	$ 17,040,589	$ 16,837,343	$ 15,869,731
Expenses			
Salaries and Benefits	8,538,195	8,327,779	7,886,843
Contractual Services	4,357,411	4,955,036	4,327,277
Amortization	770,114	682,107	790,442
Rent	1,255,430	1,363,735	1,221,643
Pension and Benefit Board Governance	738,638	326,967	476,320
(Note 2f)	578,281	549,119	519,031
Postage and Communications	384,050	340,399	278,996
Supplies	139,525	70,842	94,884
Travel	258,745	198,990	202,866
Advertising/Printing	13,200	3,883	67,414
Business Expenses	7,000	18,486	4,015
Repairs and Maintenance			
Total Expenses	17,040,589	16,837,343	15,869,731
Surplus	$ -	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 3**
Statement of Changes in Net Debt

For The Year Ended March 31

	2016		2015
	Budget (Note 7)	**Actual**	**Actual**
Net Debt, Beginning of Year	$ 3,051,858	$ 3,051,858	$ 2,776,641
Surplus			
Acquisition of Tangible Capital Assets (Note 4)	212,500	131,461	869,080
Amortization of Tangible Capital Assets (Note 4)	(770,114)	(682,107)	(790,442)
Net (Decrease) Increase in Prepaid Expense	-	(52,972)	196,579
	(557,614)	(603,618)	275,217
Net Debt, End of Year (Statement 1)	$ 2,494,244	$ 2,448,240	$ 3,051,858

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund **Statement 4**
Statement of Changes in Accumulated Net Expenditure

For The Year Ended March 31

	2016	2015
Financing Provided by (Used in) Operating Activities:		
Amortization of Tangible Capital Assets (Note 4)	$ 682,107	$ 790,442
Decrease in Cash	400	-
Decrease/(Increase) in Accounts Receivable	230,544	(168,309)
(Decrease)/Increase in Accounts Payable	(191,806)	623,038
Decrease /(Increase) in Prepaid Expenses	52,972	(196,579)
Net Financing Provided by Operating Activities	774,217	1,048,592
Financing Used in Investing Activities:		
Purchase of Tangible Capital Assets (Note 4)	(131,461)	(869,080)
Net Financing Used in Investing Activities	(131,461)	(869,080)
Net Decrease in Financing Requirements	642,756	179,512
Accumulated Net Expenditure, Beginning of Year	(3,388,916)	(3,568,428)
Accumulated Net Expenditure, End of Year (Statement 1)	$ (2,746,160)	$ (3,388,916)

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements

March 31, 2016

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993,* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as a government component. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund (GRF). It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the GRF and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer Hardware and Software	5 years
System Development and Furniture	10 years
Leasehold Improvements	over the term of the lease

In 2015, work in progress assets included system development costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

f) **Pension and Benefit Board Governance**

The pension plans and benefit programs administered by PEBA are governed by various Boards and Commissions. The expenses incurred by these governing bodies include honorariums, travel, training and consulting for initiatives related to the governance of the plans and programs.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993,* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been increased to $11,200,000 on January 14, 2016, by Order in Council 4/2016 from the previous limit of $5,800,000 set by Order in Council 116/2009.

	2016							2015
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total	Total
Opening Net Book Value of Tangible Capital Assets	$ 204,254	$ 11,779	$ 40,504	$ 1,078,868	$ 938,678	$ 227,706	$ 2,501,789	$ 2,423,151
Opening Costs of Tangible Capital Assets	1,254,666	605,899	412,645	7,209,129	2,239,710	227,706	11,949,755	11,080,675
Additions During Year	131,461	-	-	-	-	-	131,461	869,080
Disposals/ Transfers During Year	-	-	-	227,706	-	(227,706)	-	-
Closing Costs of Tangible Capital Assets	1,386,127	605,899	412,645	7,436,835	2,239,710	-	12,081,216	11,949,755
Opening Accumulated Amortization	1,050,412	594,120	372,141	6,130,261	1,301,032	-	9,447,966	8,657,524
Annual Amortization	79,025	10,533	10,542	389,460	192,547	-	682,107	790,442
Disposals During Year	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,129,437	604,653	382,683	6,519,721	1,493,579	-	10,130,073	9,447,966
Net Book Value of Tangible Capital Assets	$ 256,690	$ 1,246	$ 29,962	$ 917,114	$ 746,131	$ -	$ 1,951,143	$ 2,501,789

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $1,773,315 (2015 - $1,601,549) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993,* to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993.*

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Revolving Fund has lease commitments with related parties requiring minimum lease payments of:

2016-17	$ 1,591,979
2017-18	$ 1,635,718

The following table summarizes the Revolving Fund's related party transactions.

	2016	2015
Administration Fees (Statement 2)	$ 16,837,343	$ 15,869,731
Expenses:		
Salaries and Benefits	1,243,750	1,205,196
Contractual Services	62,227	52,287
Rent	1,325,615	1,184,086
Postage and Communications	517,854	473,525
Supplies	900	375
Advertising	934	451
Pension and Benefit Board Governance	30,000	30,000
Travel	5,915	8,063
Repairs and Maintenance	12,381	3,817
Total Related Parties Expenses	$ 3,199,576	$ 2,957,800

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2016	2015
Accounts Receivable	$2,089,312	$2,319,345
Accounts Payable and Accrued Liabilities	318,015	267,295

6. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.